

Department was made the eighth executive department in the Federal Government, and the Commissioner became the Secretary of Agriculture. The Department was reorganized under the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6901 note).

In carrying out its work in the program mission areas, USDA relies on the support of departmental administration staff, as well as the Office of the Chief Financial Officer, Office of Communications, Office of Congressional and Intergovernmental Relations, Office of Inspector General, and the Office of the General Counsel.

Rural Development

The rural development mission of USDA is to assist rural Americans in using their abilities to improve their quality of life. To accomplish this mission requires the fostering of new cooperative relationships among Government, industry, and communities. Three agencies carry out this mission and report to the Under Secretary for Rural Development: the Rural Housing Service, which includes rural housing and rural community facility loan and grant programs; the Rural Business-Cooperative Service, which includes business and cooperative development programs; and the Rural Utilities Service, which includes telephone, electric, water, and sewer programs. There are approximately 1,580 rural development field offices that provide frontline delivery of all rural development loan and grant programs at the local level.

Rural Business-Cooperative Service

The mission of the Rural Business-Cooperative Service (RBS) is to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and cooperatives that can prosper in the global trading marketplace.

The Service was established by Public Law 103-354 to carry out principal programs under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 *et seq.*) and the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5901 *et seq.*).

Business programs are usually leveraged with cooperatives and private sector lenders to meet business credit

needs in underserved areas. The major programs of RBS include commercial lending, revolving loan funds, and technical assistance, empowerment program, and cooperative services. The business loan and grant programs include:

Business and Industrial Guaranteed Loans These loans are used to improve, develop, or finance business, industry, and employment, and to improve the economic and environmental climate in rural communities, including pollution abatement and control. This purpose is achieved through bolstering the existing private credit structure through guarantee of quality loans which will provide lasting community benefits. This type of assistance is available to businesses located in areas outside any city with a population of 50,000 or more and its immediate adjacent urbanized or urbanizing area. Eligible entities include corporations, partnerships, cooperatives, recognized Indian tribes, individuals, and other legal entities.

Intermediary Relending Program Loans These loans are used to finance business facilities and community development projects in rural areas including cities with populations of less than 25,000. This is achieved through loans made by RBS to intermediaries which provide loans to ultimate recipients for business facilities and community development projects. Eligible intermediaries include public bodies, nonprofit corporations, Indian tribes, and cooperatives.

Rural Business Enterprise Grants These grants help public bodies, nonprofit corporations, and federally recognized

Indian tribal groups finance and facilitate development of small and emerging private business enterprises located in areas outside the boundary of a city of 50,000 or more and its immediate adjacent urbanized or urbanizing area. Costs that may be paid from grant funds include: acquisition and development of land; construction of buildings; plans development; equipment purchases; construction of access streets, roads, and parking areas; construction of utility and service extensions; refinancing; fees for professional services; technical assistance and training associated with technical assistance; startup operating costs and working capital; previewing financial assistance to a third party; production of television programs to provide information to rural residents; and creation, expansion, and operation of rural distance learning networks.

Rural Technology and Cooperative Development Grants These grants help finance the establishment and operation of centers for rural technology and/or cooperative development, in order to improve the economic conditions of rural areas by promoting the development and commercialization of new services, products, processes, and enterprises in rural areas. For this program, rural areas are defined as areas outside the boundary of a city with a population of 50,000 or more and its immediate adjacent urbanized or urbanizing area. Eligible applicants are public bodies, nonprofit organizations, and federally recognized Indian tribal groups.

Local Technical Assistance and Planning Grants These grants provide funding for local technical assistance and planning activities in rural areas to improve economic conditions. Grants may be used for: technical assistance and training for small businesses; identifying and analyzing business opportunities in rural areas; establishing business support centers; conducting local or multicounty economic development planning; coordination of economic development activities; and leadership development training of local government officials. Grants are

available to public bodies and nonprofit organizations. Grants may be used to assist rural areas and any city or town with a population of 10,000 or less.

Rural Economic Development Loans and Grants These loans and grants finance rural economic development and rural job creation projects that are based on sound economic and financial analyses. Loans and grants are made to electric and telephone borrowers who use the funds to provide financing for business and community development projects. Loans are provided to finance a broad array of projects, including for-profit businesses. Grants are targeted for certain purposes such as: community development assistance; education and training for economic development; medical care; telecommunications for education; job training; business incubators; and other technical assistance. Borrowers may receive financing for grant purposes through either a grant to establish a revolving loan fund or a combination loan and grant.

Empowerment Program The Empowerment Program initiative is designed to develop and maintain programs to identify Empowerment Zones, Enterprise Communities, AmeriCorps, and other Presidential initiatives to support rural development through the selection of areas of greatest need. The Program works with other USDA agencies, other Federal agencies, State and local governments, and private organizations and universities in a combined effort to develop and promote comprehensive community and economic development in rural America.

Cooperative Services The Cooperative Services program helps farmers and rural communities become self-reliant through the use of cooperative organizations. Studies are conducted to support cooperatives that market farm products, purchase production supplies, and perform related business services. These studies concentrate on the financial, organizational, legal, social, and economic aspects of cooperative activity. Technical assistance and research is provided to improve cooperative

performance in organizing new cooperatives, merging existing cooperatives, changing business structures, and developing strategies for growth. Applied research is conducted to give farmers and rural communities expert assistance pertaining to their cooperatives.

The program also collects and publishes statistics regarding the role and scope of cooperative activity in the U.S. agriculture. The Service's bimonthly magazine, *Rural Cooperatives*, reports current developments and research for cooperative management leadership.

For further information, contact Rural Development, Office of Communication, Public Affairs, Room 5037-S, Department of Agriculture, Fourteenth Street and Independence Avenue SW., Washington, DC 20250-0320. Phone, 202-720-6903.

Rural Housing Service

The Rural Housing Service (RHS) provides loans to rural residents and communities unable to obtain credit from commercial sources at reasonable rates and terms. These borrowers must have a reasonable chance for success. The Service guarantees loans made by commercial lenders for modest rural housing. It also makes direct loans to low-income rural residents. Rural residents and communities may apply for these loans at approximately 1,580 local Rural Development offices.

The Service operates under Title V of the Housing Act of 1949 (42 U.S.C. 1471) and the Consolidated Farm and Rural Development Act (7 U.S.C. 1921). It seeks to do business as the lender of first opportunity rather than the lender of last resort.

The Service provides financial and management assistance through the following types of loans:

Guaranteed Single-Family Housing (SFH) Loan Programs The Service guarantees loans made by commercial lenders to moderate-income rural residents. Eligible applicants must have sufficient income and acceptable credit but lack the downpayment to secure a loan without assistance. The Service provides up to 100 percent financing for

eligible borrowers and guarantees participating lenders against most losses.

Direct Single-Family Housing Loan Program Section 502 loans are made to very low and low income families for housing in rural areas. Loans can be made to build, purchase, repair, and refinance homes. The maximum term is 38 years. Loans may be made for 100 percent of the appraised value. The basic interest rate is determined periodically, based on the cost of money. Borrowers may qualify for annual subsidy on the loan, which can reduce the interest rate to as low as 1 percent. Cosigners on promissory notes may be permitted for applicants who may lack repayment ability.

Builders may obtain "conditional commitments" as assurances to a builder or seller that if their houses meet RHS lending requirements, RHS may make loans to qualified applicants.

Home Improvement and Repair Loans and Grants An owner-occupant may obtain a section 504 loan of up to \$15,000, or in the case of senior citizens, a grant of up to \$7,500, to remove health and safety hazards from a home. These loans, available to very low income families, are made at 1 percent interest.

Self-Help Housing Loans Self-help direct SFH loans assist groups of six to eight very low and low income families to build their own home by providing materials and the skilled labor which they cannot furnish themselves. The families must agree to work together on each other's homes until they are complete. Rates and terms are the same as the direct SFH program.

Rural Housing Site Loans Loans are also available to private or public nonprofit organizations to purchase sites for the development of housing for very low and low income families. Loans are repayable in 2 years.

Direct Multi-Family Housing Loans Loans are made to private, nonprofit corporations, consumer cooperatives, State or local public agencies, and individuals or organizations operating on a profit or limited profit basis to provide rental or cooperative housing in rural

areas for persons of very low, low, and moderate income. No downpayment is required from nonprofit organizations. A 3 or 5 percent downpayment is required from other applicants. The maximum term is 50 years, and the interest rate may be reduced to 1 percent to make rents affordable to very low and low income families. Rental assistance may be available to defray rent paid by very low income families.

Farm Labor Housing Loans and Grants Farm labor housing loans and grants enable farmers, public or private nonprofit organizations, or units of local government to build, buy, or rehabilitate farm labor housing. The interest rate is 1 percent and is repaid over 33 years. Grants may be made in connection with a loan to a public/private nonprofit organization or unit of government to ensure affordability of the units to farm workers.

Housing Preservation Grants These grants are made to a public body or public/private nonprofit organization to provide assistance to homeowners and landlords to repair and rehabilitate housing for very low and low income families in rural areas. Financial assistance provided by grantees may include loans, grants, interest reduction on commercial credit, or similar assistance. Up to 20 percent of the grant may be used for program administration. **Housing the Homeless** The Service offers SFH inventory property to nonprofit organizations or public bodies for transitional housing for the homeless. Qualifying organizations may lease nonprogram property if they can show a documented need in the community for the type of housing use proposed and the financial ability to meet proposed housing costs.

Community Program Loans Direct and guaranteed loans are authorized to public and quasi-public bodies, nonprofit associations, and certain Indian tribes for essential community facilities such as health care, public safety, and public services. Necessary related equipment may also be purchased. The interest rate is set quarterly for direct loans and is based on yields of

municipal bonds. Guaranteed loans bear an interest rate negotiated by the lender and the borrower. The Service guarantees a lender against losses up to 90 percent of principal and interest. Community facility loans may be made in towns populated up to 20,000. Nondiscrimination in employment and occupancy is required.

For further information, contact Rural Development, Office of Communication, Public Affairs, Room 5037-S, Department of Agriculture, Fourteenth Street and Independence Avenue SW., Washington, DC 20250-0320. Phone, 202-720-6903.

Rural Utilities Service

The Rural Utilities Service (RUS) is a credit agency that assists rural electric and telephone utilities in obtaining financing and administers a nationwide water and waste loan and grant program to improve the quality of life and promote economic development in rural America. A total of 890 rural electric and 900 rural telephone utilities in 47 States, Puerto Rico, the Virgin Islands, Guam, the Republic of the Marshall Islands, the Northern Mariana Islands, and the Federated States of Micronesia have received financial assistance. Approximately 7,200 rural communities are currently served through financial assistance received from water and waste loans and grants.

Electric Program The Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950b), authorizes RUS to provide loans for improving electric service to persons in rural areas, as defined by the Bureau of the Census.

The Act requires that preference be given to nonprofit and cooperative associations and to public bodies. With RUS assistance, rural electric utilities have obtained financing to construct electric generating plants and transmission and distribution lines to provide reliable electric service. **Telecommunications Program** In 1949, RUS (then the Rural Electrification Administration) was authorized to make loans to provide telephone service in rural areas. Congress directed that the rural telephone program be conducted to "assure the availability of adequate

telephone service to the widest practicable number of rural users of such service." About 75 percent of the telephone systems financed by the agency are commercial companies, and about 25 percent are subscriber-owned cooperatives.

Loans Loans are made in accordance with the Act and are subject to the provisions of the Federal Credit Reform Act of 1991. By law, RUS direct loans are made or insured at a municipal rate, but not greater than 7 percent. In cases of hardship, the Administrator may approve loans at an interest rate of 5 percent.

The Service also obtains funds from the Federal Financing Bank (FFB), which it lends to borrowers, primarily for large-scale electric and telecommunication facilities, at an interest rate equal to the cost of money paid by FFB, plus one-eighth of 1 percent. The Bank is located within the Department of the Treasury.

Supplemental Financing A 1973 statement of congressional policy—not part of the law—said, in part, ". . . that rural electric and telephone systems should be encouraged and assisted in developing their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the act's objectives."

When RUS approves electric loans, it requires most borrowers to obtain 30 percent of their loan needs from nonagency sources without an agency guarantee. These nonagency sources include the National Rural Utilities Cooperative Finance Corporation, which is owned by electric cooperatives, and the National Bank for Cooperatives.

Telecommunications borrowers obtain supplemental financing from the Rural Telephone Bank (RTB), a U.S. agency established in 1971. Loans are made to telecommunications systems able to meet RTB requirements. Bank loans are made for the same purposes as loans made to RUS but bear interest at a rate consistent with the Bank's cost of money.

The Rural Telephone Bank is managed by a 13-member board of directors. The Administrator of RUS serves as Governor of the Bank until conversion to private ownership, control, and operation. This will take place when 51 percent of the class A stock issued to the U.S. and outstanding at any time after September 30, 1995, has been fully redeemed and retired. The Bank board holds at least four regularly scheduled meetings a year. Activities of RTB are carried out by RUS employees and the Department's Office of the General Counsel.

Water and Waste Direct and Guaranteed Loan Program Direct loans may be made to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas, cities, and towns with a population of 10,000 or less.

Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to nonprofit corporations. Priority is given to public entities in areas with less than 5,500 people to restore a deteriorating water supply or to improve, enlarge, or modify a water facility or an inadequate waste facility. Preference is given to requests which involve the merging of small facilities and those serving low-income communities. Applicants must be unable to obtain funds from other sources at reasonable rates and terms. The maximum term for all loans is 40 years. However, no repayment period will exceed State statutes or the useful life of the facility. Interest rates may be obtained from USDA Rural Development field offices.

Guaranteed loans may be made for the same purpose as direct loans. They are made and serviced by lenders such as banks and savings and loan associations. Normally, guarantees will not exceed 80 percent on any loss of interest or principal on the loan.

Water and Waste Disposal Grants Grants may be made to reduce water and waste disposal costs to a reasonable level for users of the system. Grants may be made, in some instances, up to 75 percent of eligible project costs.

Requirements for applicants are the same as for loans.

Emergency Community Water Assistance Grants Grants may be made up to 100 percent of project costs to assist rural communities experiencing a significant decline in quantity or quality of drinking water. Grants can be made to rural cities or towns with populations not exceeding the State's nonmetropolitan median household income requirement.

Technical Assistance and Training Grants Grants are available for nonprofit organizations to provide rural water and waste system officials with technical assistance and training on a wide range of issues relating to the delivery of water and waste service to rural residents. Legislation requires that at least 1 percent but no more than 3 percent of the funds appropriated for water and waste disposal grants be set aside for these grants.

Solid Waste Management Grants Grants are available for nonprofit organizations and public bodies to provide technical assistance and training to rural areas and towns with populations under 10,000 to reduce or eliminate pollution of water resources

and improve planning and management of solid waste facilities.

Rural Water Circuit Rider Technical Assistance Program Since 1980, the National Rural Water Association has provided, by contract, technical assistance to rural water systems. Circuit riders assist rural water districts with solving operational, financial, and management problems. Currently there are 52 circuit riders covering the 48 continental United States. The assistance may be requested by rural water systems or by RUS. When circuit riders are not working on specific requests, they call on rural water systems to offer assistance. The Association reports monthly to the national office. The program complements loan supervision responsibilities.

Distance Learning and Medical Link Grant Program This program was established by the Rural Economic Development Act of 1990, which gave borrowers authority to defer RUS loan payments to make investments in rural development.

For further information, contact the Rural Utilities Service, Department of Agriculture, Room 4051-S, Fourteenth Street and Independence Avenue SW., Washington, DC 20250-0320. Phone, 202-720-1255.

Alternative Agricultural Research and Commercialization Center

As an independent entity within USDA, the Alternative Agricultural Research and Commercialization Center (AARC) provides and monitors financial assistance for the development and commercialization of new nonfood and nonfeed products made from agricultural/forestry commodities. By law, AARC is administered by a 9-member board comprising representatives for processing, financial, producer, and scientific interests.

The Center's mission is to assist the private sector in closing the gap between research results and commercialization of industrial nonfood and nonfeed products made from farm and forestry

materials. It also seeks to expand market opportunities through development of value-added industrial products and promotion of environmentally friendly products. Any private individual or firm may apply for assistance. While most of the Center's clients are small firms, nonprofit organizations and large businesses have also been successful applicants. Universities and similar institutions may participate as well.

The Center can supply financial assistance at the precommercialization stage of a project—that point in a project when the costs are the greatest and the ability to obtain lending from traditional sources is the most difficult. Financial